



DEPARTMENT OF STATE

Washington, D C. 20520

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Senior Interagency Group No. 15 - Small Group

TO : OVP - Ms. Nancy Bearg Dyke  
NSC - Mr. Michael O. Wheeler  
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Commerce - Ms. Jean Jones  
USTR - Mr. Richard Heimlich  
Treasury - Mr. David Pickford  
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SUBJECT: Draft Terms of Reference for the Mission to Europe  
on Sanctions vis-a-vis the USSR

Attached, for consideration at the next meeting of the  
Small Group, is a revised draft terms of reference for the Mis-  
sion to Europe.

L. Paul Bremer, III  
Executive Secretary

State Dept. review completed.

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## Terms of Reference for High-Level USG Mission to Europe on Soviet Sanctions

### Rationale for Mission

-- An historic opportunity exists to substantially weaken the Soviet Union by taking advantage of its economic and financial situation through reducing the flow of resources from West to East.

-- Our allies must be given new incentives to induce them to participate in a useful program before the USG is forced to take further unilateral measures with possible negative impact on the alliance.

-- Domestic pressures exist for imposition of a further set of sanctions, alone or preferably in cooperation with our allies.

### Assumptions

-- The Siberian pipeline cannot be stopped at this point, by U.S. coercion, without incurring intolerable diplomatic costs. However, by persuasion, working with the Dutch and Norwegians and an alternative energy program, we can lessen the growth of European energy dependence on the Soviet Union.

-- It is in our long-term interest and that of our allies to get them to reduce or cut off new official credits and guarantees to the USSR and to restrain the flow of financial resources to the USSR.

### Objectives

To achieve a more consolidated response to the Polish crisis by beginning negotiations to get the allies:

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-- To cut off, severely limit and/or make more expensive new medium- and long-term official and officially-guaranteed credits to the Soviet Union.

-- To reduce Soviet exports of non-essentials to the West.

-- To limit European dependence on Soviet energy.

-- To define more clearly what we mean by not undercutting our measures.

### Means

-- By proposing an agreement to press for an end of repression in Poland by ensuring that no additional medium- or long-term official or officially-guaranteed credits will be granted to the Soviet Union, as well as considering measures to counteract the impact on the financial markets were there to be a partial or bloc-wide default.

-- By telling the Europeans that a minimal interpretation of their promise not to undercut our sanctions in the export control field is to discourage their firms from entering new prime contracts with the Soviet Union where American firms have been forced to withdraw from contract-bidding or contract-performance because of U.S. controls.

-- By convincing our allies to participate with us in a program of raising tariffs, and/or imposing quotas on non-essential Soviet exports, or by other means, to restrict allied imports of these items.

-- By presenting a meaningful package of energy alternatives.

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Negotiating Tactics

-- To offer:

- o Increased defense procurement.
- o Cooperation in a program of energy alternatives.
- o Consideration of increased federal expenditures for coal port development, to be reimbursed mainly by user fees.

/o Consideration of support for legislation on simplification of rights of way for coal slurry pipelines.7

N.B. Though this has been rejected by Cabinet Council, we should test whether its importance to Europeans makes it worth reconsideration.

- o willingness to consider requests for moderate changes in our export controls to help relieve European problems (e.g. the 21 rotors now in Europe).

-- To say:

- o A consolidated joint program with the allies will reduce the pressure on the United States to take further unilateral economic steps in the current Polish context.
- o We agree to consider measures to counteract the impact on the financial markets of default by countries in The Soviet bloc.
- o We should all work with the Dutch and Norwegians to help overcome their problems in furnishing increased gas deliveries.

Resources Required

-- Up to \$1,000,000,000 may be required from the defense budget over a period of 3 years.

-- Increased federal expenditures for coal port development to be reimbursed mainly by user fees.

Make-up and Timing of Mission

The mission will be led by Under Secretary of State James Buckley and will include Under Secretary of Defense Fred Ikle, Under Secretary of Commerce Lionel Olmer, Assistant Secretary of the Treasury Marc Leland, Director of Policy Planning of the National Security Council Staff Norman Bailey and a limited number of aides.

At this time, it is proposed that the mission leave in approximately a week to ten days after terms of reference have been approved by the NSC; and visit Rome, Bonn, Paris and London, in that order. The Embassy in Tokyo will be kept fully informed and the Japanese government asked to participate fully in all measures agreed upon.

Prime Achievements to be Sought by the Mission

The beginning of negotiations on a package of consolidated allied economic measures to restrain the flow of financial resources to the Soviet Union and establishment of a tone of cooperation to achieve common aims as opposed to one of threatening unilateral action in the event of failure.